

Banking Services Task Force Working Paper 2

Commonwealth Receipts Briefing for the Banking Services Operational Review Team October 27, 2010

Commonwealth Receipts

It is the purpose of the Department of the Treasury to work with the agencies to tailor programs for the receipt of funds and payments. The general philosophy followed is to facilitate payments to be as convenient as possible for citizens and constituents to pay the Commonwealth. Treasury utilizes many different channels to make payments not only convenient but also as efficient as possible. These channels include check receipts made through point of sale payments, mailed checks or checks received in lockboxes. These checks result in deposits to banks using image technologies, high volume cash letters, or branch deposits.

Another payment channel is the use of the Automated Clearinghouse transactions commonly referred to as electronic checks. These transactions can be viewed as either a push (where the payor sends money) or a pull (where the Commonwealth initiates a drawdown of funds from the payor with their approval).

A third channel is through credit card transactions. Credit card payments have proliferated in recent years as more citizens opt to pay bills or for services using their cards. These transactions are initiated by the payors at either a point of sale, telephone, or internet interaction.

The attached Exhibit summarizes these transaction types.

Receipt Methods

Paper Checks

- Image Technology
 - TAX (image cash letter) - - 3.042 million checks per year, average cost of .025
 - Others (remote deposit) - - 515,000 million checks per year at an average cost .05
- Cash Letter
 - DMV - - 1.5 million checks per year at average cost of .05
 - DSS - - 1.4 million checks per year at average cost of .055
- Lockbox
 - 450,000 checks per year at average cost of .03
 - Processing costs are additional
 - DPOR
 - DHP
 - SCC
- Total Checks
 - 8.5 million checks per year
 - Average cost of .048
 - Internal costs must also be considered (receipt of mail, opening and extraction, review of payment, endorsement, deposit preparation, delivery, etc.)

ACH or Electronic Checks

- Pull - - 1.5 million items per year, average cost of .04
- Push - - 2.9 million per year, average cost of .10
- Total - - 4.425 million transactions
- Major agencies
 - TAX - - 2.7 million
 - DSS - - 1.5 million

Credit Cards

- \$1 billion collected annually
- 16 million transactions
- Major agencies
 - ABC - - \$300 million
 - DMV - - \$285 million
 - Community Colleges - - \$215 million
 - Courts - - \$100 million
- Average cost - - \$1.02 per transaction